

# ORIGINAL NEW APPLICATION



0000069105



## **SOUTHWEST GAS CORPORATION**

G-01551A-07-0186

Roger C. Montgomery, Vice President/Pricing

March 26, 2007

Arizona Corporation Commission

**DOCKETED**

**MAR 28 2007**

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

DOCKETED BY

*MM*

AZ CORP COMMISSION  
DOCUMENT CONTROL

2007 MAR 28 A 11:41

RECEIVED

Pursuant to the terms of Schedule No. G-30, Optional Gas Service, in Southwest Gas Corporation's (Southwest) Arizona Gas Tariff No. 7, Southwest herewith submits for the Commission's review and approval, a Special Gas Procurement Agreement (Agreement) for Yuma Cogeneration Associates (Yuma Cogen). Upon Commission approval, the Agreement shall be in effect from May 1, 2007 (or any date thereafter the Commission so directs) for a primary term of three (3) years and continuing month-to-month thereafter.

As specified in Special Condition No. 3 of Schedule No. G-30, the Agreement enumerates the provisions whereby Southwest will procure specific supplies of gas for Yuma Cogen. Southwest is unable to serve Yuma Cogen utilizing the floor cost of gas as defined in Schedule No. G-30. Consequently, a Special Gas Procurement Agreement was executed that will allow Southwest to retain Yuma Cogen as a customer on its distribution system.

Southwest herewith submits an original and thirteen (13) copies of the Agreement, including an Exhibit A which has been redacted due to the proprietary and commercially-sensitive nature of the information contained in such exhibit.

By copy of this letter, Southwest is providing a copy of the Agreement and unredacted Exhibit A to Staff. The unredacted exhibit is being provided under seal in reliance upon prior Confidentiality Agreements related to Special Gas Procurement customers which have previously been executed by Southwest and Staff.



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Based on the date this matter is submitted to the Commission, the date of the scheduled Open Meeting in May 2007, and the effective date of the Agreement that is the subject of the filing, Southwest hereby waives the "30-day clock" for purposes of allowing Staff sufficient time to analyze the filing and to make appropriate recommendations to the Commission for consideration at its May 8, 2007 Open Meeting.

Southwest respectfully requests that the attached Agreement be permitted to become effective May 1, 2007.

Respectfully,

Roger C. Montgomery

c Ernest Johnson, ACC  
Robert Gray, ACC

**SOUTHWEST GAS CORPORATION  
SPECIAL GAS  
PROCUREMENT AGREEMENT  
UNDER SCHEDULE G-30**

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This Service Agreement ("Agreement") is made and entered into as of the 20<sup>th</sup> day of March, 2007, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called the Utility and YUMA COGENERATION ASSOCIATES, herein called the Customer.

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Utility and the Customer agree as follows:

**ARTICLE I - GAS TO BE SOLD AND PURCHASED**

Subject to the terms, conditions and limitations hereof, the Utility agrees to sell and deliver to the Customer and the Customer agrees to receive, purchase and pay for natural gas volumes purchased and delivered by the Utility on behalf of the Customer.

**ARTICLE II - DELIVERY POINTS AND PROVISIONS OF SERVICE**

Delivery of natural gas by the Utility to the Customer shall be at or near the points whose locations are listed below, and shall be in accordance with Rule No. 7 of the Utility's Arizona Gas Tariff.

Delivery Point(s)  
280 N. 27<sup>th</sup> Drive, Yuma, Arizona

**ARTICLE III - APPLICABLE RATES AND RATE SCHEDULE**

The Customer agrees to pay the Utility for all natural gas sales service rendered under the terms of this Agreement in accordance with the Utility's Schedule No. G-30, as approved by the Arizona Corporation Commission ("ACC") and as amended or superseded from time to time. The rates to be charged pursuant to Special Condition No. 3 of Schedule No. G-30 are set forth in the Exhibit A attached hereto and made a part hereof. This Agreement shall be subject to the provisions of such Schedule and the Rules and Regulations applicable thereto on file with the Commission and effective from time to time, which by this reference are incorporated herein and made a part hereof.

#### **ARTICLE IV - TERM OF AGREEMENT**

This Agreement shall become effective on May 1, 2007, subject to approval by the ACC, and shall remain in effect for a primary term of three (3) years and continuing thereafter on a month to month basis. This Agreement is subject to termination upon the expiration of said primary term or thereafter by the Utility providing ninety (90) day advance written notice to the Customer or by the Customer providing one (1) year advance written notice to the Utility.

#### **ARTICLE V - NOTICES**

Unless herein provided to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, by mail, overnight delivery service or facsimile with all postage and charges prepaid, to either the Customer or the Utility at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone. Unless changed, the addresses of the parties are as follows:

##### **SOUTHWEST GAS CORPORATION**

Key Account Management Department  
P.O. Box 98510 LVB-106  
Las Vegas, Nevada 89193-8510  
Phone No. (702) 364-3063  
Fax No. (702) 365-5904

##### **YUMA COGENERATION ASSOCIATES**

Attn.: General Manager  
280 N. 27<sup>th</sup> Drive  
Yuma, Arizona 85364  
Phone No. (928) 329-8514  
Fax No. (928) 329-6015

With a courtesy copy to:  
President, CE Generation, LLC  
7030 Gentry Road  
Calipatria, CA 92233  
Phone No. (760) 348-4000  
Fax No. (760) 348-4233

Either party may change its address at any time upon written notice to the other.

#### **ARTICLE VI - OTHER OPERATING PROVISIONS**

##### **A. OPERATING CONDITIONS**

Five (5) business days before the first day of each month, Customer shall provide Utility, in writing or electronic form, the daily volume requested for the following month ("Requested Daily Volume") and such notice shall serve as the basis for acquisition of gas supply. Thereafter, Customer must nominate its anticipated usage on a daily basis no later than 6:00 a.m. Pacific Clock Time ("PCT") the calendar day before the gas flow day. Customer will have the option to nominate its daily requirements for an entire month or partial month, or to revise an existing daily nomination. However, any revision to an existing daily nomination must be made by the 6:00 a.m. previous day deadline. This daily nomination will be the basis for determining Customer's proportionate share of any charge or penalties billed to Utility by an upstream pipeline as described below.

Gas supplies and/or capacity are subject to diversion and/or recall by Utility up to a maximum of ten (10) days during the months of October through April as needed. Utility will credit Customer for any baseload volumes and applicable upstream charges incurred during the diversion as provided in Exhibit A. Utility will endeavor to provide notice of any such diversion 48 hours prior to the commencement of the applicable gas flow day. However, Utility reserves the right to call for such diversion up to the cycle 3 nomination deadline of the gas flow day.

During periods when an upstream pipeline has declared a Strained Operating Condition ("SOC"), a Critical Operating Condition ("COC"), an Alert Day, or any similar flow restraint or warning condition provided for in the upstream pipeline's tariff, Customer agrees to limit its daily usage to the nominated volumes.

As described below, Customer is subject to the pass-through of any charges or penalties incurred and billed to Utility by an upstream pipeline that are attributable to a variance between Customer's usage on any day or during any hour and its nomination for that day. To make such determination, Customer's daily nomination shall be presumed to be for ratable hourly takes of gas during the day and Customer shall be afforded the same tolerance or safe harbor percentages by Utility as are afforded Utility by the upstream pipeline for both daily and hourly considerations.

Whenever any charge or penalties are incurred and billed to Utility by an upstream pipeline due to over or under takes of gas on any day or during any hour, Customer will be charged a pro-rata share of such charges or penalties, based on any volumes used by Customer above or below its daily nomination and/or presumed hourly rights for that day, as applicable to the pipeline charge or penalty taking into consideration the same tolerance or safe harbor percentages as are afforded Utility by the upstream pipeline for both daily and hourly considerations.

#### B. CONFIDENTIALITY

Neither the Utility nor the Customer, nor their respective affiliates, directors, officers, employees, agents nor permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however that the Utility may make such disclosure of the terms and provisions of this Agreement to the ACC as in the opinion of counsel to the Utility is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the ACC, the Utility shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that the Customer may make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to their consultants and attorneys.

#### C. CONSTRUCTION OF FACILITIES

If the Customer requests the Utility to provide natural gas service at delivery points other than those designated in this Agreement, the parties shall execute an additional agreement for that service.

## ARTICLE VII - ADJUSTMENTS TO RULES AND REGULATIONS

- None -

## ARTICLE VIII - PRIOR AGREEMENTS

When this Agreement becomes effective, it supersedes, cancels and terminates the following agreement(s):

Special Gas Procurement Agreement, dated April 15, 2004  
Notice of Clarification, dated June 30, 2006

## ARTICLE IX - REGULATORY REQUIREMENTS

The Customer shall not knowingly take any action which would subject the Utility to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), the Department of Energy, or any successor governmental agency. Any such action shall be cause for immediate termination of this Agreement. This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the ACC as it may from time to time direct in the exercise of its jurisdiction.

Should the FERC, ACC or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement which are not mutually satisfactory to the parties, then either party upon the issuance of such rule, order or regulation, and notification to the other party, may terminate this Agreement by giving thirty (30) days written notice.

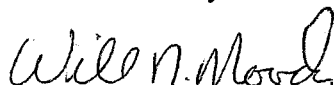
## ARTICLE X - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may be assigned or transferred by either party with the written approval of the other party. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the next regularly scheduled meter read date following receipt of written notice that such assignment has been effectuated.

### SOUTHWEST GAS CORPORATION

"Utility"

By:



William N. Moody

Title:

Vice President Gas Resources

Date:

3/26/07

### YUMA COGENERATION ASSOCIATES

"Customer"

By:



Stephen A. Larsen

Title:

President

Date:

March 22, 2007

**SOUTHWEST GAS CORPORATION  
SPECIAL PROCUREMENT AGREEMENT  
UNDER SCHEDULE NO. G-30**

**CURRENT EFFECTIVE RATES:**

Amount

Basic Charge/Month

All the applicable Upstream Pipeline Costs<sup>1</sup>Any Daily Cashout amounts<sup>2</sup>

Volumetric Charge =

Gas Costs<sup>3</sup> plus

- All Fuel and Variable charges on the El Paso Natural Gas Company ("El Paso") system for Rate Schedule FT-1 service.
- A volumetric charge of [REDACTED]
- The DOT Pipeline Safety Surcharge<sup>4</sup> of \$.0072 per Dth

1] **Upstream Pipeline Costs:** Customer's Requested Daily Volume will determine on a monthly basis the amount of capacity required for its operations ("Monthly Capacity Volume"). This capacity will be priced at the El Paso FT-1 reservation rate. Customer will receive a pro rata share of any capacity charges refunded to the Utility by El Paso for FT-1 service.

For any day volumes or capacity has been diverted or Customer's service has been interrupted by the Utility, Utility shall credit Customer an amount equal to the El Paso FT-1 monthly rate divided by 30.4, multiplied times the Monthly Capacity Volume.

2] **Daily Cashout:** No volumetric imbalance shall accrue between Customer and Utility. To the extent Customer takes more or less during any gas day than the Requested Daily Volume specified in its notice, the Base Gas Cost for the month shall be adjusted on a daily cashout basis as follows:

- (a) For any day during which Customer takes more than the Requested Daily Volume, the Base Gas Cost shall be positively adjusted by multiplying the excess take volume by the sum of the Monthly Base Price and any positive difference of the Gas Daily Common highest basin price for El Paso Natural Gas Company minus the Monthly Base Price.

Example Daily Cashout Adjustment

A = Excess Take Volume (A Positive Number)

B = Monthly Base Price

C = Highest basin Gas Daily Common

Daily Positive Cashout Adjustment =  $A \times [B + (C-B)]$ ,  $(C-B) \geq 0$ .

Customer's resultant positive cost adjustment for excess take volume never to be less than the Monthly Base Price.

(b) For any day during which Customer takes less than the Requested Daily Volume, the Base Gas Cost shall be negatively adjusted by multiplying the deficient take volume by the sum of the Monthly Base Price and any negative difference of the Gas Daily Common lowest basin price for El Paso Natural Gas Company minus the Monthly Base Price.

Example Daily Cashout Adjustment

A = Deficient Take Volume (**A Negative Number**)

B = Monthly Base Price

D = Lowest basin Gas Daily Common

Daily Negative Cashout Adjustment =  $A \times [B + (D-B)]$ ,  $(D-B) \leq 0$ .  
Customer's resultant negative cost adjustment for deficient take volume never to be more than the Monthly Base Price.

(c) For any day volumes or capacity have been diverted or Customer's service has been interrupted by the Utility, Utility shall credit Customer an amount equal to the volume of gas diverted multiplied times the Monthly Base Price.

3] **Gas Costs:** Upon receiving notice of the Requested Daily Volume (see Operating Conditions), Utility will attempt to secure the requested volume as a baseload supply for the stated month at or below the INSIDE FERC El Paso Permian first of month index price, but as near to such price as available if the flat index price can not be acquired (the "Monthly Base Price"). Utility will advise Customer of the Monthly Base Price promptly after it is confirmed. Customer's "Base Gas Cost" for the month shall be the Monthly Base Price multiplied by the daily volume in the Customer's notice times the number of days in the month.

4] **The Department of Transportation (DOT) Pipeline Safety Surcharge:** The DOT Pipeline Safety Surcharge shall be revised from time to time upon approval by the ACC.

**Billing:** Volumetric charges will be billed monthly on actual volumes used.

Pricing examples are shown on the next page and are only for illustration purposes.



SOUTHWEST GAS CORPORATION  
PROPOSED TERMS AND OPERATING CONDITIONS  
YUMA COGENERATION AND ASSOCIATES

**G-30 Special Procurement Agreement**

Pricing Examples

B	10,000	Requested Daily Volume
	\$6.00	Monthly Base Price
	\$1,800,000.00	Monthly Base Gas Cost

(Assume 30 days per month)

	Day 1	Day 2	Day 3	Day 4
Requested Daily Volume	10,000	10,000	10,000	10,000
Actual Usage	12,000	12,000	8,000	8,000
A Excess/Deficient Vol	2,000	2,000	(2,000)	(2,000)
C Highest Basin Gas Daily	\$7.00	\$5.00		
D Lowest Basin Gas Daily			\$7.00	\$5.00
B	\$6.00	\$6.00	\$6.00	\$6.00
+				
(C-B)	\$1.00	\$0.00	\$0.00	(\$1.00)
	\$7.00	\$6.00	\$6.00	\$5.00
x	2,000	2,000	(2,000)	(2,000)
Daily Cashout Adjustment	\$14,000.00	\$12,000.00	(\$12,000.00)	(\$10,000.00)

Effective Date: May 1, 2007, subject to approval by the ACC

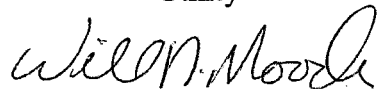
Date Issued: March 14, 2007 (Original)

Customer: YUMA COGENERATION ASSOCIATES – Yuma, AZ

**SOUTHWEST GAS CORPORATION**

“Utility”

By:



William N. Moody

Title:

Vice President Gas Resources

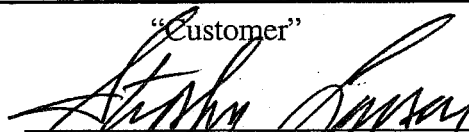
Date:

3/26/07

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